



Supply Chain Management: Model Policy

The Municipal Finance Management Act (MFMA) and the Municipal Supply Chain Management Regulations require each council and board of directors of a municipal entity to adopt a policy to give effect to the supply chain management legislation. This becomes effective in high capacity municipalities on 1 October 2005, with medium and low capacity shortly afterwards. This circular provides a *model policy* and a *code of ethical standards* that can be adopted or adapted by a municipality or municipal entity.

Model policy adoption

The model policy has been developed to comply fully with the MFMA and closely reflects the format of the Municipal Supply Chain Management Regulations. Considerable consultation was undertaken with officials of selected municipalities during the development of the policy, for which the National Treasury is appreciative.

Prior to adoption, it is necessary for the accounting officer to customise the model policy by inserting the name of the municipality/municipal entity and a range of discretionary information throughout. Areas that require decisions to be made and information to be inserted are clearly indicated. Regulation 3 outlines the requirements for adoption, review and amendment of the policy. Any material deviation from the model provided must be reported to the National Treasury and respective provincial treasury.

Code of ethical standards

Regulation 46 requires the council/board or directors to establish a *code of ethical standards for officials and other role players in the supply chain management system*. This code is separate to and in addition to the code required by section 69 of the Municipal Systems Act as it embraces "other role players". A copy of the National Treasury code of conduct for supply chain management is attached. Again, the accounting officer is required to complete the code by inserting the variable information as indicated. See the model policy and code of conduct for further instructions.

Implementation dates

Municipalities and entities must comply with the Municipal Supply Chain Management Regulations from the dates shown below (gazette No 27748 on 30 June 2005). However, you are encouraged to apply the spirit of the supply chain management policy immediately.

High capacity municipalities	1 October 2005
Medium capacity municipalities	1 January 2006
Low capacity municipalities	1 July 2006

Please refer any questions on supply chain management to the dedicated email address: mfmasupply@treasury.gov.za and all other enquiries to mfma@treasury.gov.za

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